

## ***Henderson Ridge Consulting, Inc.***

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March 27, 2014

Louisiana Public Service Commission

Attention: Brandon Frey

Executive Counsel

602 North Fifth Street, 12<sup>th</sup> Floor (Galvez Building) (70802)

P.O. Box 91154

Baton Rouge, Louisiana 70821-9154

Re: **RFP 14-06** Docket No. X-TBD

***In re: Examination of the Comprehensive Costs and Benefits of Distributed Generation and Net Metering.***

Dear Brandon:

Henderson Ridge Consulting is pleased to respond to the Louisiana Public Service Commission's ("LPSC" or "the Commission") March 18, 2014 Request For Proposals ("RFP") for independent technical consultants to assist the Commission in performing a comprehensive cost-benefit analysis of net metering in Louisiana. In a current engagement with the Commission, we are reviewing the cost-benefit analyses prepared by Cleco Power LLC as part of the overall evaluation of the utility's Integrated Resource Plan (i.e. Docket No. I-33015). We recently completed a project with the LPSC that required the evaluation of the cost-benefit analyses prepared by Cleco Power LLC to support the utility's request to join the MidContinent Independent System Operator. Our firm is also experienced with the cost-benefit analyses that the LPSC-jurisdictional electric distribution cooperatives must conduct under the requirements of the Commission's Market Based Mechanism Order when requesting approval of long term Power Supply and Services Agreements. Of particular importance to the development of the net metering cost-benefit analyses, our project team includes members with extensive modeling experience, including large scale utility models.

**Scope of Representation**

As defined in the RFP, the consultant retained by the Commission shall assist Staff in performing a comprehensive cost-benefit analysis of net metering in Louisiana. In addition, the RFP requires that the consultant review a cost of service analysis for each LPSC-jurisdictional utility related to net metering. A written report on the findings, conclusions, and recommendations regarding the costs and benefits of net metering is to be submitted on or prior to October 31, 2014.

**Summary of Work Plan**

Henderson Ridge Consulting will review the record established as part of the Net Metering rulemaking in Docket No. R-31417, including the terms of the General Order dated July 26, 2013. We will also monitor the on-going litigation concerning the calculation of the cap in Docket Nos. U-32913, U-32915, and U-32916. The record established in these proceedings is likely to assist our project team in identifying relevant cost data for the electric utilities and help in preparing assumptions that will be useful in the development of the cost-benefit model.

As instructed in the RFP, our work plan will examine the Net Energy Metering (“NEM”) activity, rates, and programs currently in place at each LPSC-jurisdictional utility. There are four (4) investor-owned utilities (“IOUs”) and eleven (11) electric distribution cooperatives that are regulated by the Commission. These utilities include:

**Investor-Owned Utilities**

Entergy Gulf States Louisiana, L.L.C.	Entergy Louisiana, LLC
Cleco Power, LLC	SWEPCO

**Electric Distribution Cooperatives**

Northeast	Claiborne	Concordia
Panola-Harrison	Point Coupee	Jefferson Davis
SLEMCO	DEMCO	SLECA
Beauregard	Washington St. Tammany	

The scope of our evaluation for each LPSC-jurisdictional utility will center upon: (1) cost-benefit analysis of NEM, (2) cost of service evaluation, and (3) an analysis of how Distributed Generation may affect the avoided cost rates of the utilities.

- (1) The cost-benefit analysis will estimate the reduction in NEM customer bills compared to the level of utility cost savings. We will measure the net costs-benefits of net metering by estimating the costs less estimated benefits. Our efforts to assess and quantify the costs and benefits attributed to a NEM customer will be greatly affected by the level of data available from the utilities under study. The typical utility costs associated with a NEM customer include avoided revenues, incentive and rebates, integration costs, metering costs, and administrative costs. The benefits to be examined in the course of our study include avoided energy benefits, avoided line losses, the value of generation capacity, transmission and distribution capacity benefits, fuel price hedge value and decreased customer load during peak hours, avoided environmental compliance costs, and societal benefits. The cost-benefit analyses will necessarily be driven by a set of assumptions that must reasonably reflect the utility's operations and costs over the study horizon.
- (2) In addition to the cost-benefit analysis, we will review the cost of service studies prepared by each of the utilities. The full cost of service studies should include an allocation of generation, transmission, and distribution costs for the IOUs and subtransmission and distribution for the electric cooperatives. The utilities should assign the incremental costs that are directly attributed to net metering to NEM customers. We will examine the documentation in support of those studies and it is likely that we will need to prepare additional discovery and have meetings and/or calls with representatives of the utilities in order to supplement the information included in the cost of service analyses.

- (3) We will study how the Distributed Generation of a NEM customer may affect the avoided cost rates that utilities have traditionally paid to Qualifying Facilities. Perhaps it may be feasible to differentiate avoided cost rates for Distributed Generation from the current avoided cost rate approved by the Commission paid to Qualifying Facilities. The guiding principle in evaluating this alternative will be that the rate paid for Distributed Generation purchases does not exceed the avoided cost of the utility.

Based upon the level of information and data provided by the utilities, we will model the direct and indirect costs and benefits of the respective utility's net metering efforts. Our analyses will assess the sensitivity of the costs-benefits of net metering upon the utility and ratepayers at varying levels of participation. If appropriate, we will present alternative regulatory initiatives for the Commission's consideration. We will also review the net metering regulatory policies initiated in other jurisdictions. Our objective is to provide the Commission with a final report that includes sufficient analyses and information that will enable the Commissioners to make an informed decision about net metering and develop a sound regulatory policy for Louisiana.

#### **Experience of Henderson Ridge Consulting**

Henderson Ridge Consulting has evaluated the cost-benefit analyses performed by Cleco Power LLC and several electric distribution cooperatives on behalf of the Commission. We have also conducted and lead several major rulemakings authorized by the Commission and are currently working on the "Storm Best Practices" rulemaking with Staff (i.e. Docket No. R-32786). In a prior engagement with the Commission, our firm conducted a State-wide survey of the initiatives and programs implemented by all Louisiana electric utilities, including municipalities, related to Advanced Metering Infrastructure as well as the overall progress with the deployment of Smart Grid technologies. The funding for the AMI/Smart Grid engagement was made available through a grant extended to the Commission under the provisions of the American

Recovery and Reinvestment Act of 2009 (“ARRA”). In the Commission’s RFP, it is anticipated that ARRA funds may be available to contribute to the funding of the upcoming net metering examination.

Our project team includes members with extensive experience with utility models, including Regional Transmission Organization integration cost-benefit studies, cost of service studies, Formula Rate Plan models, and State Universal Service Fund disbursement models. These individuals will contribute heavily towards the modeling of the estimates of the costs-benefits of each utility’s net metering programs and the evaluation of the full cost of service studies.

A firm resume has been attached to the proposal and provides further background on our experience and prior engagements. Our firm has been retained by the Louisiana Public Service Commission over the years to assist Staff in numerous dockets covering the myriad requests, issues, and audits of utilities under its jurisdiction. These engagements have involved electric distribution cooperatives, investor-owned electric utilities, local gas distribution companies, telecommunications carriers, and water and wastewater utilities.

### **Minimum Requirements**

Henderson Ridge Consulting is experienced in analyzing the operations and the books and records of electric utilities, telecommunications carriers, and water and wastewater companies under the jurisdiction of the Louisiana Public Service Commission. This experience has been applied for the purpose of setting just and reasonable rates. To that end, the firm has experience with several regulatory approaches to determine the utility’s revenue requirement, including the traditional rate base/rate-of-return methodology, interest coverage approaches, the cash needs study, and the cost plus margin model. We are also very experienced with the different types of costing methodologies utilized by the utilities. Particularly germane to the upcoming net

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metering engagement, Henderson Ridge Consulting is very familiar with the cost-benefit analyses prepared by investor-owned utilities and electric distribution cooperatives. As referenced in the Experience section of the proposal, our project team members are experienced with sophisticated utility software models.

Henderson Ridge Consulting has reviewed the list of minimum requirements identified in Section IV of the Commission’s RFP. Our firm is experienced with each of the minimum requirements and can readily satisfy this group of professional standards that the Commission expects of its expert consultants.

**Estimate of Cost**

The professional fees for the project will be billed at the following hourly rates:

<b><u>Consultant</u></b>	<b><u>Hourly Rate</u></b>
William Barta	\$150 per hour
Debbie Barta	\$135 per hour
Kit Mastreangelo	\$135 per hour
Michael Culler	\$110 per hour
M. Brooke Culler	\$110 per hour
Mitch Costley	\$110 per hour

We estimate the fees for professional services to conduct (1) the cost-benefit analyses, (2) the cost of service studies, (3) the avoided cost study and all other services, including the preparation of a final report, will total, on average for each of the fifteen utilities under study, \$17,850.00 or \$267,750.00 overall. Travel-related expenses are anticipated to be \$12,500.00 for a total budget of \$280,250.00.

**Conflict of Interest**

Henderson Ridge Consulting has no current assignments, or any prior assignments, that could pose any conflicts of interest, or the appearance of such conflicts,

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including, but not limited to, any work performed on behalf of the Louisiana Public Service Commission. The firm does not represent any private clients before the Commission.

Henderson Ridge Consulting appreciates the opportunity to respond to the RFP and to continue its relationship with the Commission and its Staff.

Sincerely,

William Barta  
Principal